Report on financial year 2014

March 26, 2015, Frankfurt

Dr. h.c. Hans M. Schabert, CEO
Oliver Schuster, CFO

Transforming Vossloh

Main areas of action 2014

- **Comprehensive analysis and re-evaluation of the situation**
  - Immediate actions (costs, capacities, structures)
  - Optimization of the financing structure
  - Adjustment of guidance

- **Strategic realignment of the Group: Focussing and transformation**
  - Core business: rail infrastructure
  - Concentration on growth/high-margin products
  - Decision to disinvest from Transportation by 2017
  - Concentration of business activities on four regional focus markets
  - Vossloh AG as operational management holding
  - Unification of corporate identity ("One Vossloh")

- **Reorganization of core business into three divisions from January 1, 2015**

Transforming Vossloh

New Group structure: organization according to business models

Vossloh AG

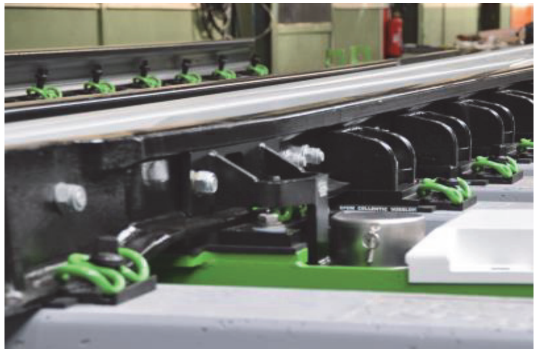
Core Components	Customized Modules	Lifecycle Solutions	Transportation
Vossloh Fastening Systems	**Vossloh Switch Systems**	**Vossloh Rail Services**	**Vossloh Locomotives** **Vossloh Rail Vehicles** **Vossloh Electrical Systems**
Focus on: Standardized products in large quantities Core competency: Cost optimization and technology	**Focus on:** Project-specifically adapted modular solutions Core competency: Technology and process	**Focus on:** Specialized track systems services Core competency: Service and lifecycle management	**Focus on:** Manufacturing, service and components for rail vehicles

Core Business

Vossloh 2015

Core Components

- Part of Rail Infrastructure division until 2014
- Starting point: Vossloh Fastening Systems
- A worldwide market leader in rail fastening systems
- Products used in over 65 countries
- More than 90% of sales outside Germany
- Elastic rail fastening systems, screwed and maintenance-free, for ballast and ballastless tracks (high-speed), for mainline & conventional lines, heavy-haul tracks and urban rail haulage (LRT)
- More than 120 years of experience
- Production of more than 65 million rail fasteners per year at 5 main production sites worldwide; Start of production at the US site in Waco, Texas; JV with leading Russian manufacturer of railway sleepers, BetelTrans, grants access to Russian market



Vossloh 2015

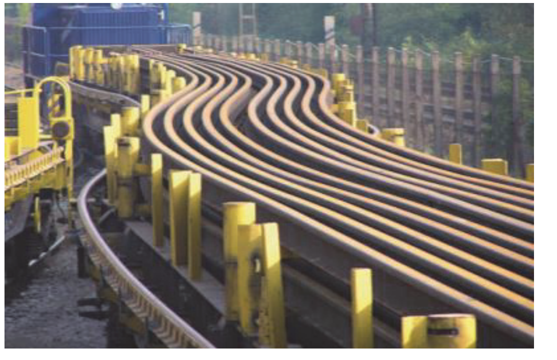
Customized Modules

- Part of Rail Infrastructure division until 2014
- Starting point: Vossloh Switch Systems
- A worldwide market leader in switch and crossing systems
- Over 75% of sales outside the French home market
- Standard, high-speed and specialty (heavy-haul) switches according to all international standards
- Signalling components, switch actuators, locking devices and rail monitoring systems, manganese frogs and switch blades
- More than a century of experience
- 39 production sites in 22 countries

Vossloh 2015

Lifecycle Solutions

- Part of Rail Infrastructure division until 2014
- Starting point: Vossloh Rail Services
- Provider of comprehensive service packages, complementary services to the products of Core Components and Customized Modules
- Rail grinding, especially high-speed grinding, turnout maintaining services, rail milling, rail reconditioning, rail testing, rail welding, rail logistics
- Customers: rail producers and rail operators, e.g. Deutsche Bahn, China Railways
- A leader in the German market for comprehensive rail servicing and logistics
- More than 60 years of experience



Vossloh 2015
Transportation

Vossloh Locomotives:

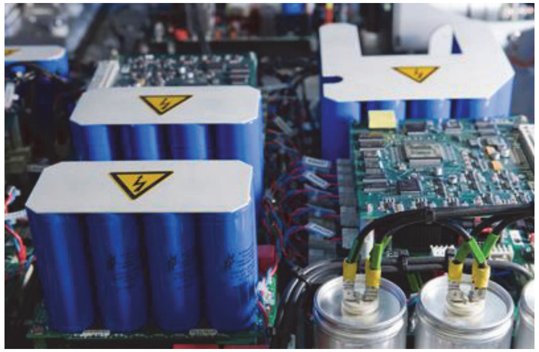
- A leader in the European market for modern diesel-hydraulic and diesel-electric locomotives for shunting and mainline applications
- One-stop provider of development, construction, production and excellent support services
- Locomotives homologated for a wide range of European countries permitting flexible cross-border operation

Vossloh Rail Vehicles:

- A leading European manufacturer of diesel-electric locomotives
- Metro and LRV systems; Bogies for locomotives and passenger trains
- Exports to, i.a. the USA, Great Britain, France, Israel, Austria, Brazil

Vossloh Electrical Systems:

- Innovative equipment for urban transport vehicles as well as traction systems for electric buses
- Focus on Europe and the USA
- Emission-free electric power systems, hybrid systems and fuel cell applications



Vossloh Group, financial year 2014

Restructuring and realignment impact earnings development

- Sales growth of 1.8% within the corridor communicated
- EBIT within the forecasted range; ROCE and value added negative as a result
- Measures focusing on sustainable improvement in earnings being implemented
- Adjusted EBIT before special items at €30.6 million; adjusted EBIT margin 2.3%

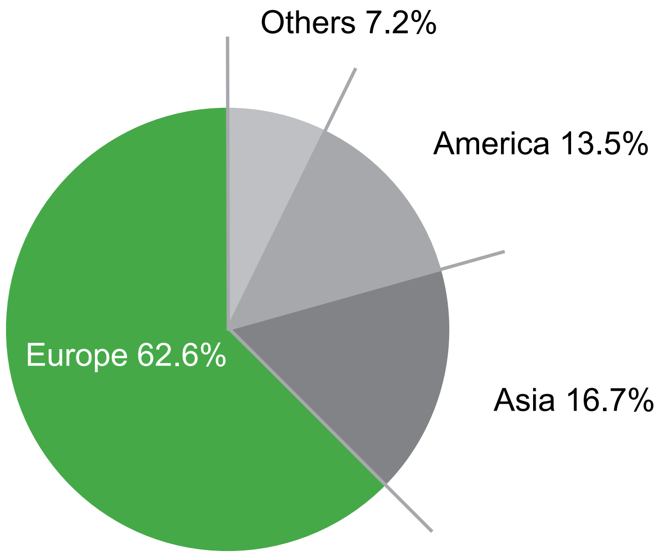
		(2013)	**2013***	**2014**
Net sales	€ million	(1,321.2)	1,300.7	1,323.9
EBIT	€ million	(54.2)	52.7	-171.6
EBIT margin	%	(4.1)	4.1	-13.0
Net income	€ million	(15.0)	23.6	-205.7
ROCE	%	(6.1)	5.9	-21.2
Value added	€ million	(-21.9)	-22.8	-252.6
Earnings per share	€	(1.25)	1.25	-16.46
Average headcount		(5,376)	5,247	5,737

* With the conversion from proportionate to at-equity consolidation, amounts for 2013 have been adjusted to be comparable; original prior year's amounts in brackets

Vossloh Group, financial year 2014

Sales decrease in Asia – significant increase in America

- Europe remains largest market with slight growth of 1.7%; Western Europe at about the level of the prior year, further significant decrease in Southern Europe, pleasing growth in North and Eastern Europe
- Normalization of sales level in Asia; as expected sales declining compared to the extraordinarily high sales level of the prior year (2013 mainly driven by major project in Kazakhstan)
- Significant sales growth in Latin America



Sales by region		**2014**		**2013**
	€ million	%	€ million	%
Europe	829.1	62.6	815.4	62.7
America	178.8	13.5	123.5	9.5
Asia	220.7	16.7	306.3	23.6
Africa	70.1	5.3	22.4	1.7
Australia	25.2	1.9	33.1	2.5
Total	**1,323.9**	**100.0**	**1,300.7**	**100.0**

* With the conversion from proportionate to at-equity consolidation, amounts for 2013 have been adjusted to be comparable

Vossloh Group, financial year 2014

Significant decrease in working capital intensity

- Noticeable decrease in equity as a result of high losses within the Group; Equity ratio at nearly 22%
- Working capital initiative successfully initiated; year-end-value only marginally above year-end figure in 2013
- Capital employed drops significantly due to decreased noncurrent assets primarily as a result of impairment losses in the Switch Systems business unit and the depreciation in value at Vossloh Locomotives
- Net financial debt: High negative free cash flow largely compensated by placement of treasury shares

		(2013)	2013*	2014
Total assets	€ million	(1,586.3)	1,562.4	1,598.3
Equity	€ million	(490.3)	481.1	349.6
Equity ratio	%	(30.9)	30.8	21.9
Closing working capital	€ million	(102.1)	94.5	103.9
Average working capital intensity	%	(16.5)	16.1	11.2
Average capital employed	€ million	(895.4)	889.2	809.3
Net financial debt	€ million	(201.2)	234.6**	272.0
Net leverage	%	(41.0)	42.4	77.8

* With the conversion from proportionate to at-equity consolidation, amounts for 2013 have been adjusted to be comparable; original prior year's amounts in brackets

** In 2013, derivatives relating to the USPP, amounting to €30.5 million have been reported outside the net financial debt as other liabilities. In the course of refinancing measures in 2014 the amounts concerned became part of the net financial debt: €234.6 million is the comparable level of net financial debt in 2013

Vossloh Group, financial year 2014

Operational business development burdens cash flow

- Negative development in EBIT predominantly not cash-effective
- Working capital increase markedly limited throughout the course or the year

Cash flow analysis (in € million)	**2013***	**2014**
EBIT	52.7 (54.2)	-171.6
Amortization/depreciation/write-downs of noncurrent assets (netted with write-ups)	40.7 (42.6)	132.0
Result from discontinued operations	2.9 (2.9)	0.1
Change in noncurrent provisions	-14.3 (-13.8)	30.8
Gross cash flow	**82.0 (85.9)**	**-8.7**
Gain/loss on disposal of tangible and intangible assets	1.5 (1.5)	0.1
Change in working capital	45.5 (36.3)	-6.1
Change in investments in associated companies, other non-cash expenses and income, change in other assets/liabilities	26.7 (24.4)	-1.6
Income taxes paid	-25.2 (-25.5)	-25.9
Cash flow from operating activities	**130.5 (122.6)**	**-42.2**
Investment in tangible and intangible assets	-64.4 (-66.8)	-55.2
Free cash flow **	66.1 (55.8)	-97.4

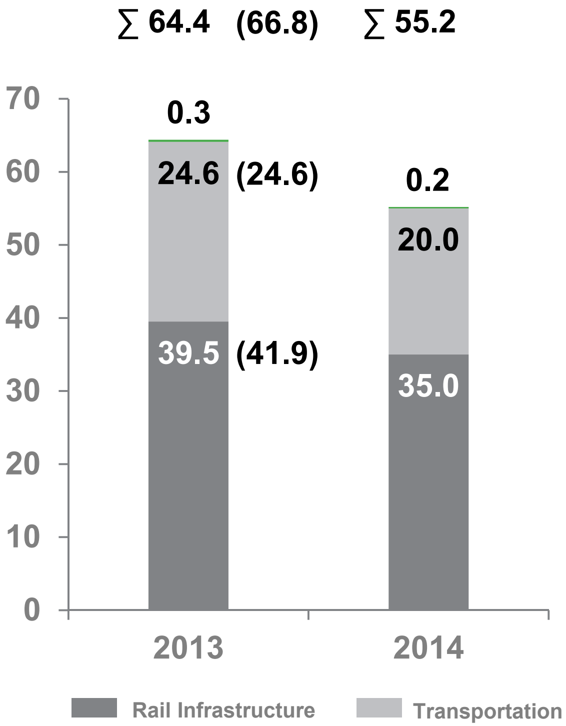
* With the conversion from proportionate to at-equity consolidation, amounts for 2013 have been adjusted to be comparable; original prior year's amounts in brackets
** Before investments in other noncurrent financial instruments and before acquisition, disposal of consolidated subsidiaries and dividend payout

Vossloh Group, financial year 2014

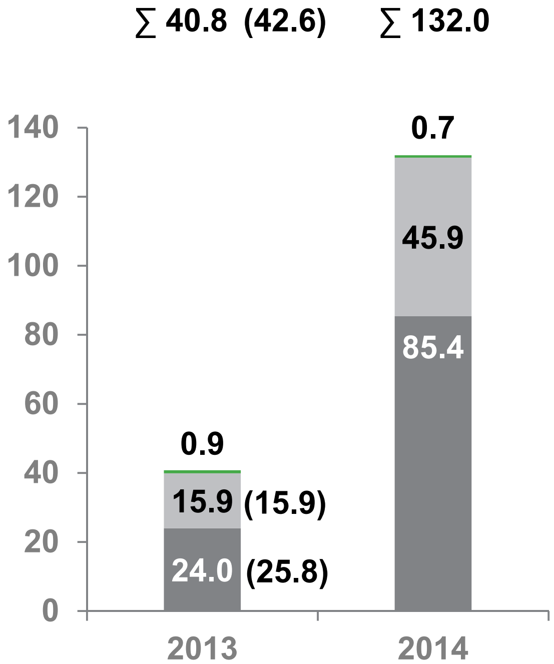
Investment planning analyzed and refocused

- Investments above systematic amortization/depreciation despite weak business development
- Significant investment projects: new US production plant for rail fasteners, new forge in Luxembourg, further development of milling train
- Significantly larger portion of investments dedicated to the new core business

Investment (in € million)*



Amortization/depreciation (in € million)*



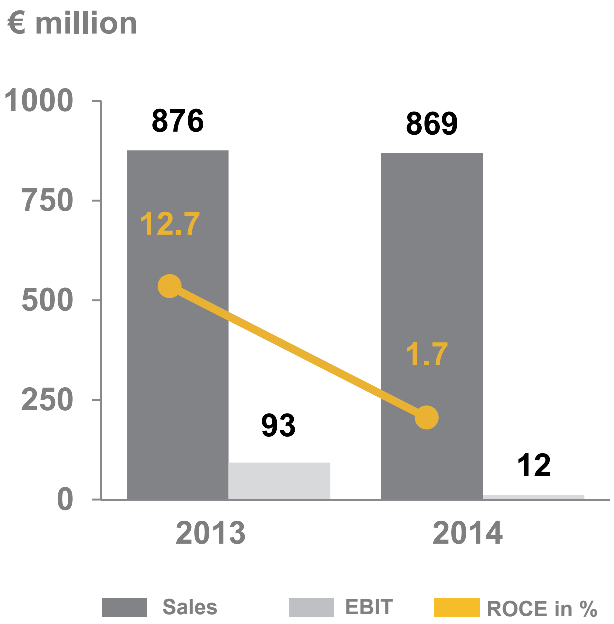
€ million	2013	2014	Δ in %
Group			
Investment	64.4	55.2	-14.4
Amort./deprec.	40.8	132.0	224.1
Rail Infrastructure			
Investment	39.5	35.0	-11.2
Amort./deprec.	24.0	85.4	255.7
Transportation			
Investment	24.6	20.0	-18.3
Amort./deprec.	15.9	45.9	188.8

* With the conversion from proportionate to at-equity consolidation, amounts for 2013 have been adjusted to be comparable; original prior year's amounts in brackets

Rail Infrastructure division, financial year 2014

Sales only marginally below prior year, EBIT influenced by special items

- Sales nearly at the level of the prior year; as expected, decrease at Vossloh Fastening Systems, increase at Vossloh Switch Systems, strong sales growth at Vossloh Rail Services
- EBIT burdened mainly due to impairment losses at Vossloh Switch Systems; adjusted EBIT of €79.5 million
- Working capital decrease
- Additional decline in capital employed due to goodwill impairment at Vossloh Switch Systems
- Return on capital employed (ROCE) and value added significantly burdened by special items



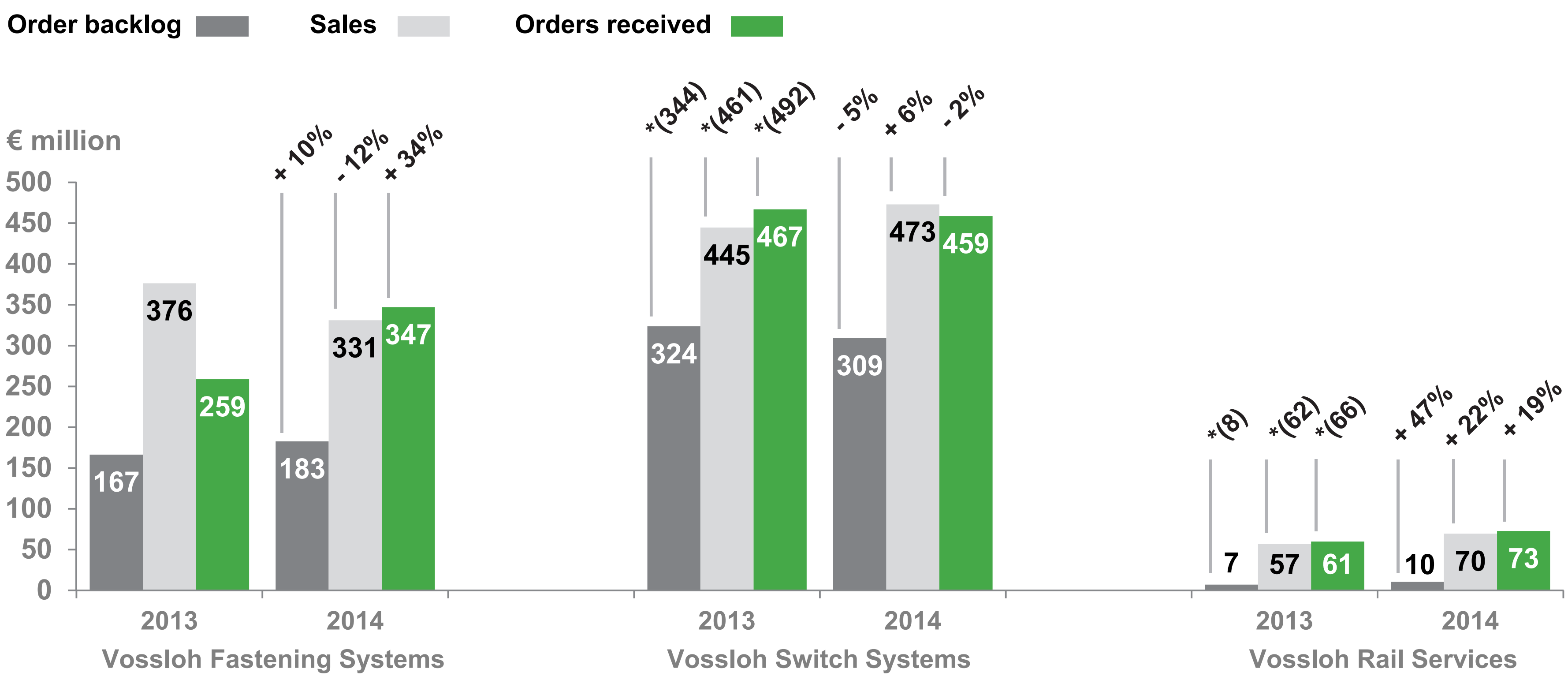
		2013*	2014
Net sales	€ million	875.5 (896.0)	868.9
EBIT	€ million	92.7 (94.1)	11.6
EBIT margin	%	10.6 (10.5)	1.3
Average working capital	€ million	251.6 (259.5)	218.8
Average capital employed	€ million	732.7 (738.9)	683.1
ROCE	%	12.7 (12.7)	1.7
Value added	€ million	30.4 (31.4)	-56.7

* With the conversion from proportionate to at-equity consolidation, amounts for 2013 have been adjusted to be comparable; original prior year's amounts in brackets

Rail Infrastructure division, financial year 2014

Good order situation in all three business units

- Vossloh Fastening Systems with sales decline following extraordinarily high sales in prior year; orders received and order backlog well above 2013
- Vossloh Switch Systems records sales growth; orders received and order backlog nearly at high level of previous year
- Vossloh Rail Services once again with double-digit sales growth; orders received significantly above prior year level



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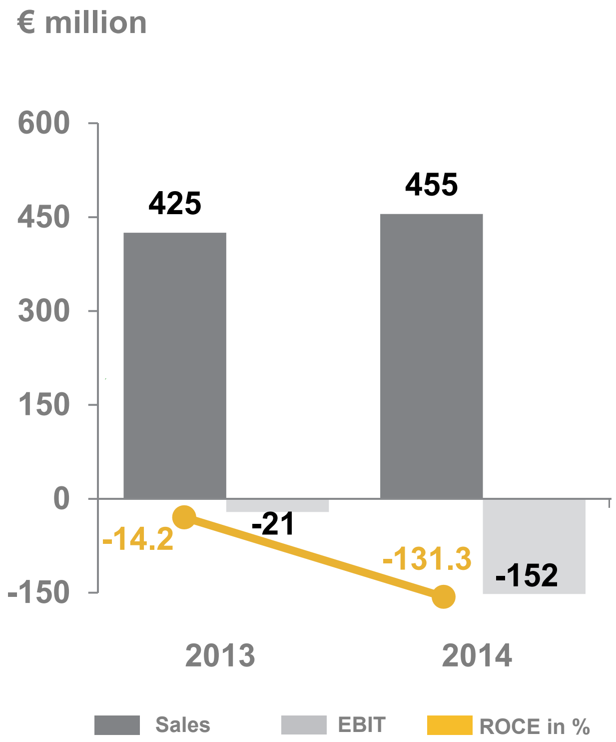
Transportation division, financial year 2014

Earnings situation impacted by restructuring and realignment

- Vossloh Rail Vehicles with strong sales growth and significantly positive value added
- Special items at Vossloh Locomotives and Vossloh Electrical Systems total to roughly €115 million
- Adjusted EBIT for the division at -€33.6 million
- Working capital and capital employed significantly below prior year; ROCE negative due to special items
- Comprehensive set of measures for sustainable improvement in the earnings situation in implementation

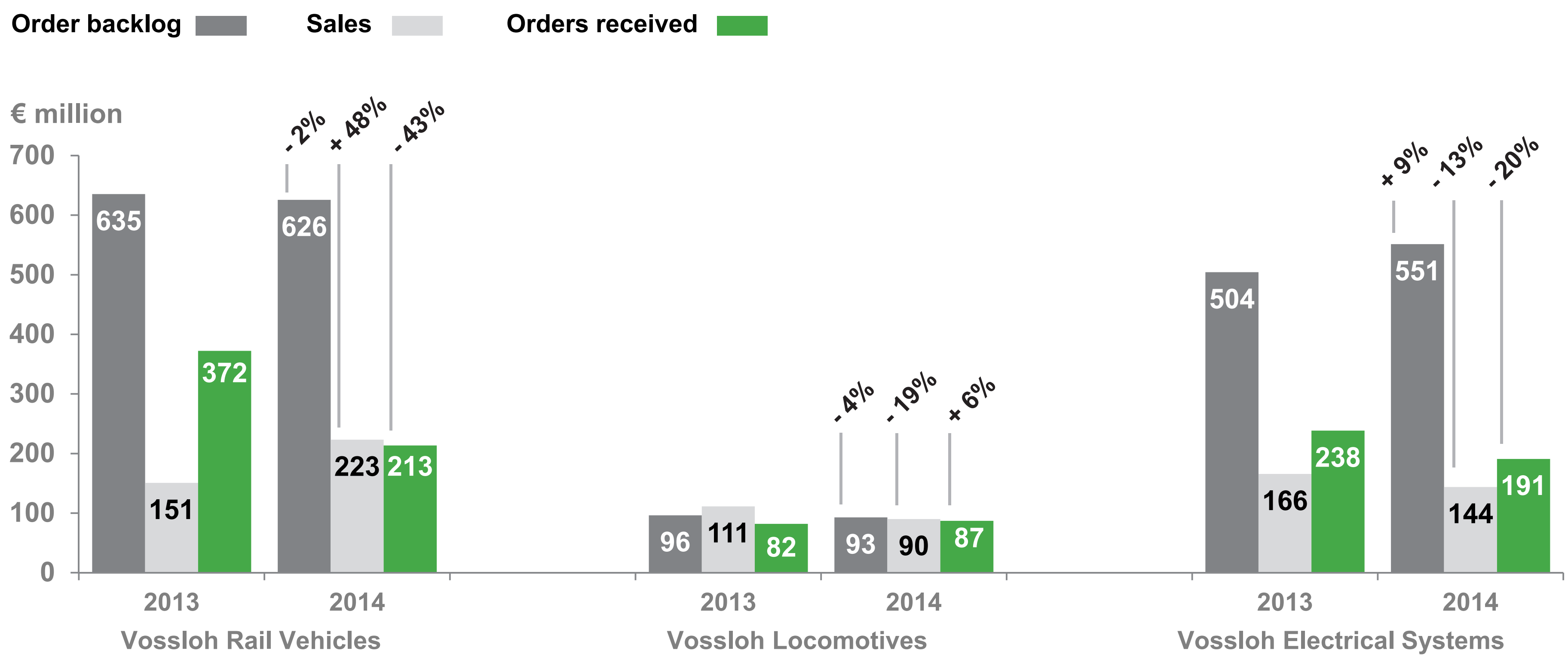


		2013	2014
Net sales	€ million	425.2	455.0
EBIT	€ million	-21.2	-152.3
EBIT margin	%	-5.0	-33.5
Average working capital	€ million	-36.7	-68.0
Average capital employed	€ million	149.0	116.0
ROCE	%	-14.2	-131.3
Value added	€ million	-33.8	-163.9

Transportation division, financial year 2014

Strong sales growth, orders received in 2013 inflated by very large project

- Sales in business unit above 2013 level alone due to Vossloh Rail Vehicles; sales of Vossloh Locomotives and Vossloh Electrical Systems declining
- Orders received lower compared to prior year; in 2013 a major project of €250 million had been registered, development of order intake at Vossloh Rail Vehicles in 2014 therefore not comparable
- Orders received at Vossloh Locomotives still subdued; order intake at Vossloh Electrical Systems also below prior year in terms of new orders (by the end of 2013 the Hanover option had been exercised)



Vossloh Group, Outlook

Outlook 2015 confirmed – Ongoing improvement expected

2015e*	– Sales growth between 3% and 4% – EBIT margin improves to between 3% and 4% – Positive free cash flow
2016e*	– Still below EBIT target margin; development impacted by low-margin multi-year projects and increased expenditures focusing on accelerated innovation
2017e*	– EBIT target margin of 5% to 6% on the basis of existing portfolio structure

* Planning based on existing portfolio structure

Financial calendar and contact

Financial calendar

▶ April 30, 2015	Interim Report as of March 31, 2015
▶ May 20, 2015	Annual General Meeting, Düsseldorf
▶ July 30, 2015	Interim Report as of June 30, 2015
▶ October 29, 2015	Interim Report as of September 30, 2015

Contact information for investors:

- Lucia Mathée, MATHEE GmbH
- E-Mail: investor.relations@ag.vossloh.com
  Phone: +49 (0) 23 92 / 52-609
  Fax: +49 (0) 23 92 / 52-219

Contact information for the media:

- Lucia Mathée, MATHEE GmbH
- E-Mail: presse@ag.vossloh.com
  Phone: +49 (0) 23 92 / 52 -608

www.vossloh.com

Thank you

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